

INCOME TAX RULES OUTLINED TO PUBLIC

1921 Act Provides \$2,500 Exemption for Married Men and Families.

SURTAX RATE UNCHANGED

Returns Must Be Filed Before March 15 on Calendar Year Basis.

The Bureau of Internal Revenue issued a statement last night explaining the changes in the revenue legislation, particularly the exemptions and reductions which the average taxpayer will receive under the revenue laws of 1921 as compared with the revenue act of 1918.

By direction of the Commissioner of Internal Revenue, David H. Blair, the bureau is preparing for later publication a series of articles telling the taxpayer in detail how to make out his income tax return for this year. Last night's statement says:

"Probably the most important change affecting the man of moderate income is in the exemptions. Under the 1921 act a married man with a net income of \$5,000 and less is entitled to an exemption of \$2,500. Under the revenue act of 1918 this exemption was limited to \$2,000. The revenue act of 1921 also provides for each person dependent on the taxpayer if such person is under eighteen years of age or incapable of self-support because of mental or physical defect an exemption of \$1,000. The exemption under the revenue act of 1918 was \$200 for each such dependent. Thus, a married man with two dependents whose net income for 1921 was \$5,000 will pay this year a tax of \$68, compared with \$104 on the same income for 1920.

"The exemption of \$2,500 applies also to the head of a family whose net income for 1921 was \$5,000 or less, an increase of \$500 compared with the 1918 act. A head of a family, as defined by present Treasury regulations, is a person who actually supports and maintains in one household one or more individuals who are closely connected with him by blood relationship, relationship by marriage, or by adoption, or whose right to exercise family control and provide for these dependents is based upon some moral or legal obligation."

"The normal rate of tax, 4 per cent. on the first \$4,000 of net income above the exemptions and 8 per cent. on the remaining net income, remains unchanged. This applies to citizens and residents of the United States. Alien non-residents are taxed to the full 8 per cent. on income received from sources within the United States. Non-resident aliens are allowed only a single personal exemption of \$1,000.

"To overcome the disparity in the amount of normal tax in the case of two taxpayers, one of whom is just within the lower \$2,000 exemption, the other being just within the higher \$2,500 exemption, the act provides that the reduction of the personal exemption from \$2,500 to \$2,000 shall not operate to increase the tax which would be payable if the exemption were \$2,500, by more than the net income in excess of \$5,000. For example, a married man or head of a family with a net income for 1921 of \$5,010. Assuming that he has no dependents, his tax, if he were allowed only the \$2,000 exemption, would be \$120.40. Under the benefits of the above provision, however, his tax is \$110.4 per cent. on the amount of his taxable income of \$2,500, or \$100 plus the amount by which his net income exceeds \$5,000.

"Many inquiries are received relative to the surtax rates. Taxpayers in the preparation of their returns should be careful to note that the surtax rates for the calendar year 1921 remain unchanged. The surtax rates on incomes for 1921 range from 1 per cent. on the amount of net income between \$2,000 and \$6,000 to 65 per cent. on the amount of net income in excess of \$1,000,000. For the calendar year 1922 and each calendar year thereafter the surtax ranges from 1 per cent. on the amount of net income between \$6,000 and \$10,000 to 60 per cent. by which the amount of net income exceeds \$200,000.

"Returns are required of every single person whose net income for 1921 was

\$1,000 or over, every married person not living with husband or wife whose net income was \$1,000, and every married person living with husband or wife whose net income was \$2,000 or over. Every person whose gross income for the year was \$5,000 or over must make a return regardless of the amount of net income. This requirement was not contained in the revenue act of 1918. Every married couple living together must make a return, either separate or joint as desired. If their aggregate net income was \$2,000 or over, or if their aggregate gross income was \$5,000 or more.

"Gross income includes practically every dollar the taxpayer received during the year 1921. Net income is gross income less the exemptions and deductions specifically provided for by the act.

"The period for filing returns is from January 1 to March 15, 1922, when made on the calendar year basis. If the taxpayer makes his return on the fiscal year basis, the return must be filed on or before the fifteenth day of the third month following the close of the fiscal year. Non-resident aliens must make return on or before the fifteenth day of the sixth month fol-

lowing the close of the fiscal year, or, if the return is made on a calendar year basis, on or before June 15.

"The Commissioner of Internal Revenue may grant a reasonable extension of time for filing returns. Except in the case of taxpayers who are abroad, no such extension shall be for a period of more than six months. The return must be filed with the Collector of Internal Revenue for the district in which the taxpayer lives or has his principal place of business. If the taxpayer has no legal residence, the return must be filed with the Collector of Internal Revenue at Baltimore.

"This year, as last, the tax may be paid in full at the time of filing the return, or in four quarterly installments, due on or before March 15, June 15, September 15 and December 15. If any installment is not paid when due the whole amount becomes due and payable upon notice and demand from the collector. The penalty for failure to file a return or pay the tax within the time prescribed is a fine of not more than \$1,000. For 'willful refusal' to make return or pay the tax on time the penalty is a fine of not more than \$10,000, or one year's imprisonment, or both, together with the cost of prosecution."



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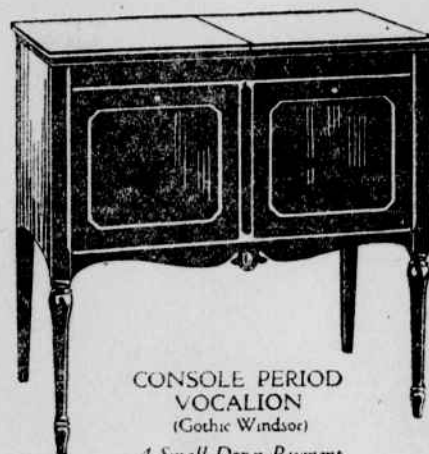
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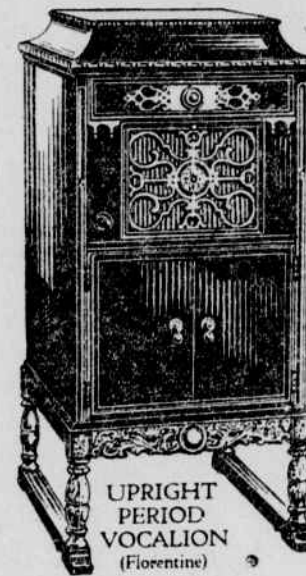
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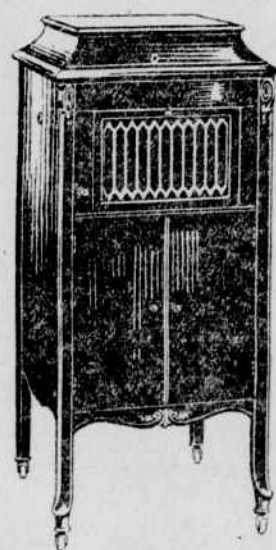
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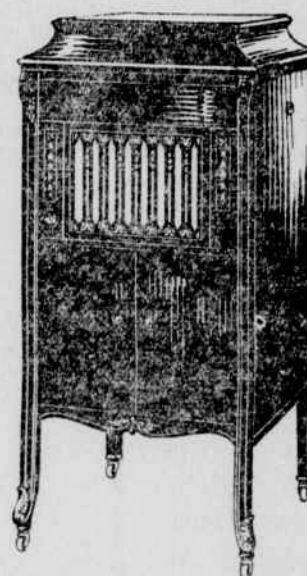
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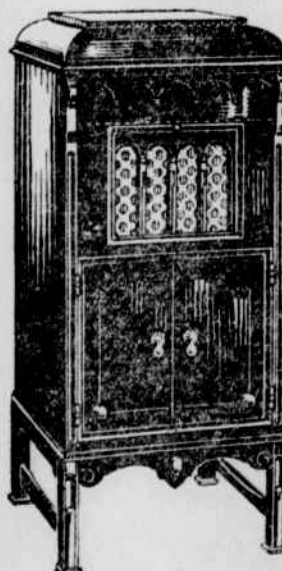
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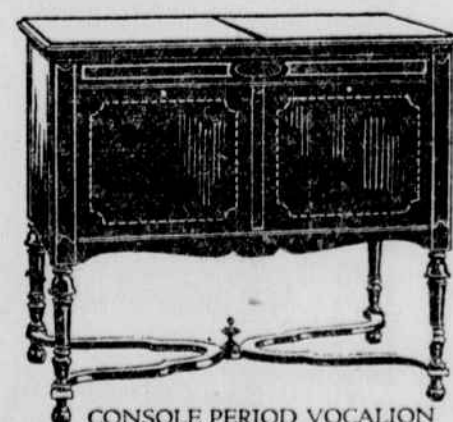
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